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C O N F I D E N T I A L SECTION 01 OF 03 TOKYO 002240

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SUBJECT: MOFA DEPUTY MINISTER PUSHES FOR NEW ECONOMIC  
FRAMEWORK

REF: STATE 60256

Classified By: Joseph R. Donovan, Charge d'Affairs a.i. for reason 1.4  
(b,d)

¶1. (C) Summary: Deputy Foreign Minister for Economic Affairs Mitoji Yabunaka proposed that the U.S. and Japan begin preparations for a new U.S. Japan economic framework in a meeting with the Charge on April 24. The full proposal, with a broad focus and more emphasis on cooperation could be fleshed out over the summer and rolled out at the time of the next U.S.-Japan summit with the new Prime Minister later this year, Yabunaka explained. He acknowledged that the beef problem has hindered progress on a new economic agenda and said he hoped both U.S. and Japanese officials would move as soon as possible to resolve it. He urged the U.S. to finish its audit of meat plants soon so bilateral meetings to review the results could start. Yabunaka downplayed the recent METI proposal for an East Asia Free Trade Agreement (FTA) as an unvetted concept, not GOJ policy. He praised the Strategic Development Alliance (SDA). Yabunaka was cautious on the U.S.-India Civil Nuclear Cooperation Initiative, recognizing the strategic importance of India, but expressing concern about the non-proliferation precedent. End Summary.

Preparing for the Bush/Koizumi Summit and a New Economic Framework

¶2. (C) Yabunaka said that his recent talks in the U.S. had underscored the depth of the bilateral relationship. It also showed the need for strengthening the economic consultative mechanism so that both sides keep each other informed about upcoming issues and decisions. The U.S. and Japan should lay the groundwork for a new economic framework which could be announced at the Bush-Koizumi meeting in June, according to Yabunaka. He recommended broadening the bilateral economic agenda to include regional and global issues where we agree and can work together. Yabunaka suggested three areas where we share common approaches: 1) IPR, 2) energy, 3) secure trade which he said would improve security and lower transaction costs. He explained that Japan is already engaged with the U.S. on the Proliferation Security Initiative (PSI) and there might be additional ways to enhance cooperation between our Customs services, for example. While he believes the Economic Partnership for Growth and Regulatory Reform

Initiative should continue to be a fundamental part of the new framework, Yabunaka recommended that the process be streamlined. The process should be more focused on fewer, more significant issues. He also proposed that in preparing for the G-8, "smaller groups" might be able to meet and exchange views and ideas more freely. Economic Minister-Counselor drew Yabunaka's attention to Ambassador Schieffer's April 19 speech which emphasized greater U.S.-Japan economic integration to enhance our global competitiveness. Yabunaka welcomed the idea and said that economic integration could include agriculture, too, because it is an important part of bilateral trade. (Comment: We believe Yabunaka was referring to non-tariff aspects of trade in agricultural goods. End Comment.)

#### Mechanics of getting to a new framework

13. (C) Yabunaka proposed to have sub-cabinet meetings in May and June to pave the way for a joint statement at the time of a possible Bush/Koizumi meeting that would refer to a strengthened U.S.-Japan economic framework, or mechanism as he called it. Following the June summit, the proposal could be fleshed out in meetings in August and September and be ready to announce at the next U.S.-Japan summit -- with the new Japanese Prime Minister -- before the end of the year. Yabunaka said he would be willing to go to the U.S. in May or June for a brief visit. He added that the talks could also occur on the fringes of the G-8 sherpa meetings in Russia on May 18-19 and/or June 15-16.

14. (C) MOFA had started looking at ways to re-vitalize the U.S.-Japan economic relationship in late 2005, expecting the

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beef issue to be resolved, according to Yabunaka. The lingering issue has damaged our ability to move ahead on economic integration initiatives, he said. It was not feasible now to put in place the new economic framework in time for the June leaders meeting, but at least we could refer to it in the summit statement.

#### Beef

15. (SBU) Yabunaka said he hoped the USDA audit results will be ready very soon so that the two sides could sit down by mid-May and reach basic agreement for re-starting the beef trade. He stressed that he wanted to be able to move as soon as possible and that it was important to get the issue behind us. (Comment: Although he did not say so directly, he clearly wanted to reach agreement on re-opening the market before PM Koizumi's visit to the U.S. in June. End Comment.)

#### East Asia Architecture/APEC

16. (SBU) The Charge reiterated the USG position on East Asian Architecture, emphasizing that the USG does not favor the creation of a new East Asian organization which would exclude the U.S. or take away from APEC and ARF. He asked about MOFA's views on Trade Minister Nikai's East Asia Economic Partnership proposal. Yabunaka stressed that the proposal had not been coordinated with other ministries and that it was simply a "grand concept" yet to be organized and vetted within the Japanese government. It is not a policy goal of the GOJ, he added. He said that Nikai came up with the idea as a way to respond to the expected Chinese proposal for an East Asia FTA at the ASEAN 3 trade ministerial which Nikai would attend in August. Yabunaka added that there might be a case for having a regional FTA rather than a network of bilateral FTAs, but that this was a long-term vision rather than a concrete GOJ policy. Yabunaka told the Charge that Japan often makes the point of telling others that the U.S. must be a part of the region's economic as well as its political and security architecture. He went on to say that for Japan, APEC as an organization confirms the U.S.

interest in the region and that Japan appreciates APEC's inclusive nature. However, Yabunaka believed that there is a need to re-energize its activities; both the U.S. and Japan are frustrated with the difficulties in advancing activities within APEC, he said. Japan would like to work with the United States to explore how to make APEC a more productive entity. In reply to the Charge's question about possible future APEC members, Yabunaka said the GOJ has no position on expanding APEC.

SDA

17. (SBU) Yabunaka was pleased with what we've achieved so far under the Strategic Development Alliance and would like see if we can do more together. He agreed that the U.S. and Japan should return to focus more on Pakistan, including workforce development. He would also like to see how we can extend bilateral coordination into other areas such as Central Asia and perhaps Africa. Yabunaka plans to take part in the proposed May 16 videoconference on SDA to share information on best practices.

#### U.S.-India Civil Nuclear Cooperation Initiative

18. (SBU) After mentioning that he talked in Washington about the U.S.-India agreement, Yabunaka stated that Japan recognizes the strategic importance of India and bringing it into the international fold on nuclear issues, but that Japan wanted to ensure that there would be adequate safeguards so as not to undermine the system as a whole. He wanted to know more about which facilities are excluded and what specific safeguard measures would be in place. Yabunaka said that some in the Nuclear Suppliers Group are very upset, but that Japan is working with others to try to bridge their differences with the U.S. initiative. Yabunaka was interested in Congress's attitude towards the agreement with India. He thought it seemed like a reasonable arrangement

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with India, but that questions remain about a double standard and whether countries such as Iran might take advantage of that. As an aside on Iran, Yabunaka pointed out that the GOJ is unhappy about the current "3 3" arrangement EU 3 of UK, France, Germany plus U.S., Russian, China) which excludes Japan.

#### Comment:

19. (C) Yabunaka is looking for a way to move ahead on a new bilateral economic agenda, hoping the beef issue will be resolved soon. Although Yabunaka might like to speed up the process of re-opening the beef trade and take the issue away as an irritant in U.S.-Japan economic relations, the problem lies in the foot-dragging of other Japanese government entities, not MOFA. Charge plans to raise the beef issue again with the Prime Minister's Foreign Policy Advisor.

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